



Arkansas Lottery Commission Audit & Legal Committee

“The Path to Quality”

March 18, 2013

§ 23-115-212. Duties and responsibilities of internal auditor.

“...The commission shall determine the duties and responsibilities of the internal auditor that:




- 1) Assist the commission in the commission’s obligations under § 23-115-206; and
- 2) Are consistent with the suggested standards for the professional practice of internal auditing as adopted by the Institute of Internal Auditors...”

Institute of Internal Auditors (IIA) Path to Quality Model (PTQM)

- PTQM developed by IIA to outline steps necessary to show continuous improvement in an Internal Audit Function
- PTQM composed of 5 levels
- PTQM defines achieving anything below Level 3 as being “non-conforming” with the Standards




Path to Quality Model (PTQM)

Level One - Beginning


Step Number	Step Description	ALC Internal Audit Status
#1	Adopt the IIA's Official Definition of Internal Auditing 	COMPLETE – The ALC Internal Audit Charter makes reference to compliance with IIA Standards of which the IIA's Definition of Internal Auditing is a part. Further, the ALC Internal Audit Manual makes specific reference the IIA's Definition of Internal Auditing as part of the Internal Audit Function's adherence to the IIA's Professional Practice Framework.
#2	Achieve the Appropriate Reporting Relationships 	COMPLETE – The Arkansas Scholarship Lottery Act and the ALC Internal Audit Charter clearly establishes the reporting relationship for the ALC Internal Auditor (directly to the ALC rather than in any shape or form the Director of the ALC).
#3	Make a Commitment to Quality by Adopting an Internal Audit Charter 	COMPLETE – The ALC Internal Audit Charter was adopted on December 9, 2010, which defines the scope of work performed by Internal Audit, as well as the areas for which Internal Audit is accountable and responsible. The Charter is revisited periodically to ensure it is still relevant and complete.

Path to Quality Model (PTQM)

Level One - Beginning

Step Number	Step Description	ALC Internal Audit Status
#4	Engage Senior Management and the Board 	COMPLETE – The ALC Internal Auditor has communicated with the Commission and with Management regarding needs and expectations relative to Internal Audit on numerous occasions. The ALC Internal Auditor provided the IIA’s “ <i>A Standard of Quality</i> ” presentation to the Commissioners on March 18, 2013 and Management on March 18, 2013.
#5	Begin to Develop a Structured Quality Assurance & Improvement Program (QA&IP) 	COMPLETE – The ALC Internal Auditor has developed the basis for the program and instituted it on a test basis in 2012. It will be implemented fully as the FY2013 Audit Plan is executed and throughout successive years. Further, the Self Assessment Checklist produced by the IIA will be completed when appropriate.
#6	Make Sure Appropriate Board Members Receive Tone at the Top newsletter as well as various Brochures 	COMPLETE - The Tone at the Top newsletter was provided to the members of the Audit & Legal Committee on March 18, 2013. Further, the suggested brochures were provided on March 18, 2013.

Path to Quality Model (PTQM) Level Two – Emerging

Step Number	Step Description	ALC Internal Audit Status
#1	Get Involved in the Local IIA and/or Industry Group of Internal Auditors, Actively Network with Other Internal Audit Practitioners, and Participate in QA Training	IN PROGRESS – The ALC Internal Auditor participated in the 2012 North American Association of State and Provincial Lotteries (NASPL) Professional Development Seminar, where there were several opportunities for networking and learning alongside Industry Internal Audit Professionals, including discussion surrounding QA training. Internal Audit plans to begin an active role in the local chapter of the IIA, and has already attended a recent meeting.
#2	The Chief Audit Executive (CAE) Should Work Toward the Appropriate Certifications, including the Certified Internal Auditor (CIA) designation 	COMPLETE – Both members of the Internal Audit function are Certified Public Accountants (CPA)s in the State of Arkansas. The CAE (ALC Internal Auditor) and all members of the Internal Audit function will strive to pursue further certifications, including the CIA, as appropriate.
#3	Begin to Implement a Structured Quality Assurance & Improvement Program (QA&IP)	IN PROGRESS – The ALC Internal Audit function has developed aspects of the Program that will be instituted as projects are completed. Further, an extensive analysis and self-assessment will be performed in the future, as appropriate.

Path to Quality Model (PTQM) Level Two – Emerging

Step Number	Step Description	ALC Internal Audit Status
#4	Assign Members of the Internal Audit Staff for Internal Monitoring 	COMPLETE – The ALC Internal Auditor has the primary responsibility for internal monitoring and assuring quality. Given the small size of the Internal Audit function, all members of the staff will play a role in monitoring and assurance of quality.
#5	Elicit Feedback from Others in the Self-Assessment Process	IN PROGRESS – A key part of the QA&IP is continuously assessing the performance of the ALC Internal Audit function, including feedback from others as a measure of performance. The ALC Internal Audit function has instituted a program of gaining feedback from process owners as projects are completed; further, it is planned to also get feedback from Executive Management and others, as appropriate, as part of the self-assessment process.

Path to Quality Model (PTQM) Level Three – Conforming

Step Number	Step Description	ALC Internal Audit Status
#1	Work on Appropriate Mix of Professional Designations (including CIA) to Demonstrate Professionalism and Competency	IN PROGRESS – As previously mentioned, the two members of the department already have achieved the CPA designation and will continue to pursue other professional designations, as appropriate.
#2	Complete A Preparation for Independent Validation Assessment, using a Balanced Scorecard Approach	TO BE COMPLETED – This step will apply as the time approaches for the External Assessment (Peer Review) of the ALC Internal Audit function.
#3	Select a Qualified External Assessor to Complete an Assessment of the Internal Audit Function	TO BE COMPLETED – Among the options for external assessments are Internal Auditors from other state lotteries that have conducted multiple external assessments in the past that are part of the network encountered at the NASPL Seminar.
#4	Put Into Place a CAE-Developed Action Plan based on Findings and Recommendations Made by the External Assessor	TO BE COMPLETED – Will be a necessary step after the assessment is completed.

Path to Quality Model (PTQM) Level Four – Leveraging

Step Number	Step Description	ALC Internal Audit Status
#1	Ensure Chief Audit Executive (CAE) is a Certified Internal Auditor (CIA)	TO BE COMPLETED – As previously mentioned, the two members of the department already have achieved the CPA designation and will continue to pursue other professional designations, including the CIA.
#2	Participate in the IIA's Vision University	TO BE DETERMINED – This step involves participation in IIA-Sponsored training sessions.
#3	Review “ <i>Common Observations from External Quality Assessments</i> ” produced by the IIA and Assess	TO BE COMPLETED – Will be a step for completion after the first External Quality Assessment, at a minimum.
#4	Use “ <i>Internal Audit Activity Leading Practices</i> ” produced by the IIA and Assess	TO BE COMPLETED – Will be a step for completion after the first External Quality Assessment, at a minimum.
#5	Download and Modify the “ <i>Sample Request for a Proposal</i> ” for Distribution when seeking External QA Services from Potential Providers	TO BE DETERMINED – Will be taken into account along with State rules and regulations when determining External QA approach.
#6	Contact the IIA to Report Completion of External QA	TO BE COMPLETED – Will be a step for completion after the first External Quality Assessment, when appropriate.

Path to Quality Model (PTQM) Level Five – Leading

Step Number	Step Description	ALC Internal Audit Status
#1	Acquire and Maintain Appropriate Mix of Professional Designations, including the CIA	TO BE COMPLETED – As previously mentioned, the two members of the department already have achieved the CPA designation and will continue to pursue other professional designations, including the CIA.
#2	Regularly Benchmark Progress, such as the IIA's <i>GAIN</i>	TO BE DETERMINED – This step involves use of the IIA's benchmarking services.
#3	Chronicle Your Organization's Advancement to the Top Level and Make Your Story Available to the IIA	TO BE DETERMINED – This step involves reporting information to the IIA, and may not be a desired action or appropriate.
#4	Serve on External QA Teams or Participate in Peer Reviews	TO BE DETERMINED – The network of Internal Auditors through NASPL will provide an opportunity to complete this step.
#5	Give Back to the Profession by Mentoring Lower-Level Internal Audit Organizations	TO BE DETERMINED – The network of Internal Auditors through NASPL will provide an opportunity to complete this step, among other opportunities.

Timeline - Conformity

2013

Get Involved in the Local IIA Chapter

Implement QA&IP Program

2013
through
2014

Complete Self-Assessment with Feedback Outside IA

Complete Preparation for External Assessment

Select External Assessor

2014

External Assessment

Develop External Assessment Action Plan, as needed

2014 and Beyond

Work Toward Achieving Levels Four and Five, as appropriate

Pursue Additional Professional Certifications, including the CIA

Path to Quality Model (PTQM)

Level Three – Conformity for the ALC

- Goal is to achieve Level 3 Status by end of Calendar Year 2014
- Internal Audit Manual outlines External Assessment as being necessary no later than December 31, 2016, based on adoption date for Internal Audit Charter of January 1, 2011
- December 31, 2014 date allows for approximately 2 years' audit work to be completed by current Internal Audit staff prior to External Assessment
- Conformity with the Standards allows for opportunity currently not available

Questions?



Arkansas Lottery Commission
Internal Audit Charter
(Effective January 1, 2011)

PURPOSE

The authority and responsibility of the Arkansas Lottery Commission's Internal Auditor is defined in this charter, which is reviewed and approved annually by the Arkansas Lottery Commission (ALC) Audit Committee.

Internal auditing is an independent, objective assurance and consulting service designed to add value to, and improve the organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

AUTHORITY

The Internal Auditor will report directly to the Arkansas Lottery Commission through the ALC Audit Committee. The Internal Auditor is authorized full, free, and unrestricted access to all Arkansas Scholarship Lottery (ASL) functions, records, property, and personnel relevant to the subject under review.

The Internal Auditor has neither direct responsibility for, nor authority over, any of the activities, functions, or tasks it reviews. Accordingly, the Internal Auditor is not authorized to:

- Perform operational duties for the ASL.
- Initiate or approve accounting transactions external to the internal audit function.
- Direct the activities of any ASL employee that does not report to the Internal Auditor.
- Develop or write ASL policies and procedures.

RESPONSIBILITY

The Internal Auditor is responsible for developing and implementing a flexible annual audit plan that outlines the engagements to be performed using an appropriate risk-based methodology. The annual plan is reviewed and approved by the ALC Audit Committee. The Internal Audit performs three types of engagements.

1. Audit Services – Assurance services are objective examinations of evidence for the purpose of providing an independent assessment. This includes assessing and reporting on the adequacy and effectiveness of internal controls and the quality of performance in carrying out assigned responsibilities. The scope of the audit services can include reviewing and evaluating: internal controls established to ensure compliance with applicable policies, plans, procedures, laws, regulations and contracts, the safeguarding of assets, the reliability and integrity of financial and operating information, the economy,

Arkansas Lottery Commission
Internal Audit Charter
(Effective January 1, 2011)

efficiency, and effectiveness with which resources are employed, and IT systems to determine if they are appropriately managed, controlled, and protected.

2. **Advisory Services** – Advisory services are defined as consulting services to mitigate risk, improve operations, and/or assist management in achieving its business objectives, in which the nature and scope of engagements are agreed upon with ASL management. Examples include informational resources counsel, advice, facilitation, process design, and training. Consulting services may include participation on various committees and task forces.
3. **Investigation Services** – Investigations evaluate allegations of unethical business practices and/or financial and operational misconduct to determine if allegations are substantiated and to prevent future occurrences.

Additional responsibilities of the Internal Auditor:

- Issue periodic reports to the ALC summarizing the results of audit activities.
- Review all significant issues raised in audit reports, including ASL management's responses to internal audit recommendations, with the ALC Audit Committee.
- Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage.

AUDIT REPORTS

At the conclusion of each audit, a draft report will be provided to ASL management for discussion and review. ASL management will respond, in writing, within 15 business days to all audit recommendations. Management's response will be incorporated into the final report. The response should include what actions were taken or are planned in regards to the specific recommendation(s) included in the draft report. Disagreements with recommendations or alternative solutions are acceptable when justified in writing.

Copies of completed reports will be provided to the Arkansas Lottery Commissioners and ASL management.

Arkansas Lottery Commission
Internal Audit Charter
(Effective January 1, 2011)

EXTERNAL AUDITORS

The Internal Auditor shall coordinate with auditors from the Arkansas Division of Legislative Audit and any other external auditors to:

- Coordinate all audit, review, and investigation activities related to the ASL.
- Foster a cooperative working relationship.
- Consider the scope of the work of the external auditors, as appropriate, for the purpose of providing optimal audit coverage to the ASL.
- Promote appropriate sharing of information.

AUDIT STANDARDS AND ETHICS

The Internal Auditor will comply with the *Standards for the Professional Practice of Internal Auditing* and *Code of Ethics* promulgated by the Institute of Internal Auditors. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. The Internal Auditor is expected to consistently demonstrate high standards of conduct and ethics, as well as, appropriate judgment, independence, and discretion. The Internal Auditor should maintain a professional image and protect confidential information.

Arkansas Lottery Commission
Internal Audit Charter
(Revised March XX, 2013)

PURPOSE

The authority and responsibility of the Arkansas Lottery Commission's Internal Audit Division is defined in this Charter, which is reviewed and approved annually by the Arkansas Lottery Commission (ALC) Audit Committee.

MISSION

The mission of the ALC Internal Audit Division is to provide independent and objective assurance and advisory services designed to add value to and improve the ALC's operations through a systematic and disciplined approach to its evaluation of the ALC's control, risk management, and compliance processes. Key to this evaluation is assessment of the ALC's network of control, risk management, and compliance processes designed and represented by ALC Management, in order to ensure that:

- Risks are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and provided to stakeholders in a timely fashion.
- Significant legislative or regulatory issues are recognized and addressed appropriately and timely.
- Programs, plans, and objectives are achieved.
- Employees' actions are in compliance with internal policies, standards, and procedures and such internal policies are in compliance with applicable laws and regulations.
- Resources are acquired economically, used efficiently, and are adequately safeguarded.
- Quality and continuous improvement in control processes is fostered on an ongoing basis.

The Internal Audit Division may identify opportunities to strengthen controls, improve profitability, or otherwise improve the operations of the ALC in the course of completing audits. Such opportunities will be communicated to ALC Management and Arkansas Lottery Commissioners, as appropriate.

AUTHORITY

The Internal Auditor will report directly to the Arkansas Lottery Commission through the ALC Audit Committee. The Internal Audit Division is authorized full, free, and unrestricted access to all ALC functions, records, property, and personnel relevant to the subject under review.

The Internal Audit Division has neither direct responsibility for, nor authority over, any of the activities, functions, or tasks it reviews. Accordingly, the Internal Audit Division is not authorized to:

Arkansas Lottery Commission
Internal Audit Charter
(Revised March XX, 2013)

- Perform operational duties for the ALC.
- Initiate or approve accounting transactions external to the internal audit function.
- Direct the activities of any ALC employee that does not report to the Internal Auditor.
- Develop or write ALC policies and procedures.

RESPONSIBILITY

The Internal Auditor is responsible for developing and implementing a flexible three-year audit plan that outlines the engagements to be performed using an appropriate risk-based methodology. The three-year plan is reviewed and approved by the ALC Audit Committee and the full ALC. The Internal Audit Division performs three types of engagements:

1. Assurance / Audit Services – Assurance/Audit services are objective examinations of evidence for the purpose of providing an independent assessment. This includes assessing and reporting on the adequacy and effectiveness of internal controls and the quality of performance in carrying out assigned responsibilities. The scope of the audit services can include reviewing and evaluating:
 - a. Internal controls established to ensure compliance with applicable policies, plans, procedures, laws, regulations and contracts.
 - b. The safeguarding of assets.
 - c. The reliability and integrity of financial and operating information.
 - d. The economy, efficiency, and effectiveness with which resources are employed.
 - e. IT systems to determine if they are appropriately managed, controlled, and protected.
2. Advisory Services – Advisory services are defined as consulting services to mitigate risk, improve operations, and/or assist management in achieving its business objectives, in which the nature and scope of engagements are agreed upon with ALC management. Examples include informational resources counsel, advice, facilitation, process design, and training. Consulting services may include participation on various committees and task forces.
3. Investigation Services – Investigations evaluate allegations of unethical business practices and/or financial and operational misconduct to determine if allegations are substantiated and to prevent future occurrences.

Arkansas Lottery Commission
Internal Audit Charter
(Revised March XX, 2013)

Additional responsibilities of the Internal Auditor:

- Provide periodic reports on the status and results of the audit plan to the ALC Audit Committee, and the full ALC, as appropriate.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and certifications (including required annual continuing education) to meet the requirements of this Charter.
- Issue periodic reports to the ALC summarizing the results of audit activities.
- Review all significant issues raised in audit reports, including ALC Management's responses to Internal Audit recommendations, with the ALC Audit Committee, or the full ALC, as appropriate.
- Keep the ALC Audit Committee apprised of emerging trends and practices in internal auditing.
- Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage.
- Review this Charter with the ALC Audit Committee at least annually.

AUDIT REPORTS

At the conclusion of each audit, a draft report will be provided to ALC Management for discussion and review. ALC Management will respond, in writing, within 15 business days to all audit recommendations. Management's response will be incorporated into the final report. The response should include what actions were taken or are planned in regards to the specific recommendation(s) included in the draft report. Disagreements with recommendations or alternative solutions are acceptable when justified in writing.

Copies of completed reports will be provided to the Arkansas Lottery Commissioners and ALC Management.

EXTERNAL AUDITORS

The Internal Auditor shall coordinate with auditors from the Arkansas Division of Legislative Audit and any other external auditors to:

- Coordinate audit, review, and investigation activities related to the ALC, as appropriate.
- Foster a cooperative working relationship.
- Consider the scope of the work of the external auditors, as appropriate, for the purpose of providing optimal audit coverage to the ALC.
- Promote appropriate sharing of information.

Arkansas Lottery Commission
Internal Audit Charter
(Revised March XX, 2013)

AUDIT STANDARDS AND ETHICS

The Internal Audit Division will comply with the *Standards for the Professional Practice of Internal Auditing* and *Code of Ethics* promulgated by the Institute of Internal Auditors. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be followed, as applicable, to guide operations. The Internal Audit Division is expected to consistently demonstrate high standards of conduct and ethics, appropriate judgment, independence, and discretion. The Internal Audit Division should maintain a professional image and protect confidential information.

DRAFT

**Arkansas Lottery Commission
Monthly Internal Audit Update
March 18, 2013**

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**Arkansas Lottery Commission
FY 2013 Internal Audit Plan
Status Report
March 18, 2013**

Project Number ¹	Project Category	Project	Description	Status ²	Comments	Estimated Remaining Hours ³
10	Audit	IT Gaming Quality Assurance	Controls and procedures surrounding the Instant Game Management System, including access, game loading, testing, and processing.	Complete	Status Update: Report issued on March 14, 2013.	-
14	Audit	Back Office System (BOS) Administration	Controls and procedures that ensure the Lottery's BOS system is secure and that access to it is controlled.	Substantially Complete	Status Update: Fieldwork is complete; reporting is in the wrap-up stages.	3
28	Audit	Accounts Payable / Purchasing / Expenditures	Controls and procedures surrounding the accounts payable, purchasing, and expense processes, including procurement and payable authorization, compliance with ALC procurement rules/laws, and the minority-owned and female-owned business program.	Complete	Status Update: Report issued on February 5, 2013.	-
32	Audit	Education Trust Fund	Controls and procedures that ensure existence and proper handling of education trust and shortfall reserve funds.	In Progress	Status Update: Fieldwork for first 6 months of fiscal year 2013 began on February 27, 2013. Work for remainder of fiscal year is ongoing.	120
33	Audit	Employee Travel Reimbursements	Controls and procedures surrounding employee travel reimbursements, including travel documentation and accurate travel and expense reimbursement reporting.	In Progress	Status Update: Fieldwork for first 6 months of fiscal year 2013 began on January 25, 2013. Work for remainder of fiscal year is ongoing.	40
36	Audit	Financial Accounting & Reporting	Controls and procedures surrounding the accounting and reporting process, including development of the internal and external financial statements, related notes to the statements, and other items/schedules included in the CAFR.	Planning Stage	Status Update: Planning began on March 12, 2013; aspects of the audit will be completed prior to the end of the fiscal year, but there will likely be work that will take place at or after year-end.	199
37	Audit	Financial Planning/Budgeting	Controls and procedures surrounding the planning and budgeting process, including management assumptions, budget compilation, and long-range planning.	Scheduled		320
46	Consulting Project	Instant Ticket Vendor Security Review (Biennially)	Coordinated security review of instant ticket vendor (Scientific Games) with outside firm.	Planning Stage	Status Update: Security review is scheduled to take place March 25 - March 29 at Scientific Games facility in Alpharetta, GA. IA will earn CPE hours as part of a workshop at the beginning of the review and plans to observe a <i>Decades of Dollars</i> drawing while in the Atlanta area as well.	96

Total Estimated Hours to Complete FY 2013 Plan

778

Notes

¹Project Number based on number of all projects within the project universe. See Page 5 for complete, numbered project universe.

²Definition of Project Status: **Scheduled** - Project has been scheduled and is included in the Internal Audit master schedule. Project timing subject to change based on a number of factors including business need, internal audit resources, etc.; **Planning Stage** - Project planning beyond scheduling has begun. Actual fieldwork may be several weeks away and finalization of all phases of the project may be several months away; **In Progress** - Fieldwork is underway. Project completion and finalization may still be several weeks away; **Complete** - Project is complete for the fiscal year unless otherwise noted (i.e. partially complete, substantially complete).

³Estimated hours to complete based on current knowledge of expected scope and complexity of the project. Actual hours needed to complete a project are subject to change based on the overall complexity of the project (including the nature and volume of any audit findings), the timing of the project, the availability of Internal Audit resources, and the discretion of the Internal Auditor and/or Audit Committee.

Arkansas Lottery Commission
Accounts Payable / Purchasing / Expenditures Audit
FY 2013
March 18, 2013

General Information

- Audit centered on processes, controls, and procedures over procurement of services, disbursements to vendors, maintenance of vendor records, and engagement of diverse vendors.
- Fieldwork included transactions from July 1, 2012 through December 31, 2012.

Summary of Observations

- Three active vendor records for terminated employees, duplicate vendor records for an active employee, and one active vendor record for a former commissioner.
 - Employees and commissioners have accounts payable vendor master records in order to reimburse them for costs incurred while performing duties for the ALC.
 - Internal Audit (IA) reviewed disbursements made after termination as part of our audit procedures, noting disbursements reviewed to be reasonable (i.e. reimbursement of insurance premiums paid in advance or reimbursement of mileage incurred on behalf of ALC for MSRs). No ongoing use of the vendor records noted after termination.
 - IA recommended that the vendor records noted be made inactive and that Management institutes a policy of inactivating vendor records for employees within 60 days of termination or last known date of accounts payable disbursement.
 - Management has responded stating that the vendor records noted would be inactivated by January 31, 2013 and that an annual review of the vendor master records would be performed going forward, to identify any records that should no longer be active. The first annual review is slated to be complete by March 15, 2013.
 - Further validation procedures are required after the reviews are completed by Management in order for IA to consider the observation cleared.
- Inadvertent filing of a duplicated "Arkansas Lottery Commission Minority- and Female-Owned Diversity Compliance Report" in June 2012.
 - The report is part of monthly packet of reports submitted to Arkansas Lottery Commission Legislative Oversight Committee and Governor, and is required by Arkansas Code Annotated § 23-115-206.
 - IA recommended the reporting package be amended with an updated report for June 2012 and that Management institutes a policy of review of the packet by ALC division directors that contribute to the packet after it is compiled by the Legal Division, but before it is distributed, each month.
 - Management has responded stating that amended reports were filed and that Internal Audit's suggested review procedure has been implemented, effective with the December 2012 monthly report (compiled and filed in January 2013).
 - Further validation procedures are required in order for IA to consider the observation cleared.

**Arkansas Lottery Commission
IT Gaming Quality Assurance Audit
FY 2013
March 18, 2013**

General Information

- Audit centered on controls and procedures to ensure that gaming system changes and instant game information have been adequately tested and approved prior to being placed in production.
- Fieldwork included transactions/events from July 1, 2012 through March 5, 2013.

Observation

- In a sample of ten instant games, three were noted with an end of game date that was inaccurately entered into the ALC's Back Office System (BOS).
 - Through review of BOS system history, it was determined that all three dates noted as inaccurate were initially entered into BOS correctly by the IT Gaming Quality Assurance (QA) team, but were subsequently changed by an ALC employee within a different Division.
 - Key end of game dates must be populated in BOS in order to ensure that instant ticket inventory is not ordered, activated, or sold by retailers after certain dates near the end of an instant game's life cycle.
 - Arkansas Scholarship Lottery Operational Rules, Section 8, Paragraph 8.3 (b) state that players must claim prizes "on or before the 90th day after the official end of game," represented in BOS as the 'end activation date.'
 - Two inaccurate 'end activation dates' were populated in BOS, allowing instant tickets to be activated and sold after the date intended per the end of game announcement and published in various sources, including the ALC website.
 - One inaccurate 'prize end date' was populated in BOS, allowing for the possibility of prize payments after the date intended per the end of game announcement and published in various sources, including the ALC website.
 - Internal Audit (IA) extended testing to all end of game announcements during FY 2013, and noted no additional inaccurate dates populated in BOS.
 - For the three games impacted by the inaccurate dates, IA determined the following:
 - The inaccurate 'end activation date' populated for the two games noted allowed for activation of instant ticket packs after the intended last date to sell tickets for those games. Collectively, four retailers activated tickets after the intended date;
 - The inaccurate 'prize end date' did not result in a prize payment to a claimant after the intended date, since no payments for the game were noted after the intended date, through March 5, 2013.
 - IA recommended that the three inaccurate dates be corrected immediately and that Management institute a policy of limiting the update of all end of game dates and official closing of a game within BOS to the QA team by restricting access within BOS.
 - Management responded stating that a new process would be undertaken to limit the ability to change instant product start/end dates, and a new process would be created by which other ALC groups could accomplish appropriate post-close changes through the Gaming Division.
 - Management has targeted implementation of this new process on or before March 27, 2013, and as such, follow-up audit procedures will be required for the observation to be considered cleared.

**Arkansas Lottery Commission
Internal Audit
Audit Universe for FY2013 - FY2015 Audit Plan**

Legal - Block

- 1 Online Games & Gaming System Contract Compliance
- 2 Instant Ticket Lottery Game Services Contract Compliance
- 3 Banking Contract Compliance
- 4 Advertising Contract Compliance
- 5 Record Retention
- 6 Legal Compliance & Monitoring

Gaming & Product Development - Smith

- 7 Instant & Online Ticket Game Development
- 8 Points for Prizes & Play It Again
- 9 IT Gaming Operations
- 10 IT Gaming Quality Assurance
- 11 Instant Ticket Quality

Security & Licensing - Huey

- 12 Lottery Facilities Security & Controls
- 13 In-State Draw Security & Controls
- 14 Back Office System (BOS) Administration
- 15 Instant Ticket Warehouse Operations
- 16 Licensing & Retailer Compliance
- 17 Security Investigations

Human Resources - Basham

- 18 Background Checks
- 19 Human Resource Processes (Hiring, Benefits, Terminations, etc.)

Commission & Legislative Affairs - Baldrige

- 20 Public & Legislative Relations

Sales - Stebbins

- 21 Sales Force Reporting

Marketing - Bunten

- 22 Advertising & Marketing (excl Contract Compliance)

Treasury - Fetzer/Parrish

- 23 Prize Validations & Payments
- 24 Cash Receipts
- 25 Retailer Sweeps/Commissions/Accts Receivable & Adjustments
- 26 Cash Management

Financial Control - Fetzer/Williams

- 27 Fixed Assets
- 28 Accounts Payable/Purchasing/Expenditures
- 29 Payroll & Leave
- 30 Federal & State Tax Withholding & Reporting
- 31 Unclaimed Prize Fund
- 32 Education Trust Fund
- 33 Employee Travel Reimbursements
- 34 Revenue/Prize Payments/Reserves - Online Games
- 35 Revenue/Prize Payments - Instant Ticket Games
- 36 Financial Accounting & Reporting
- 37 Financial Planning/Budgeting

Information Technology - Fetzer/Gilmore/Smith

- 38 IT General Controls
- 39 Disaster Recovery/Business Continuity
- 40 IT Help Desk & Desktop Support

Internal Operations - Fetzer

- 41 Lottery Vehicles
- 42 Building & Facility Maintenance

Projects Not Included in Risk Assessment*

- 43 Facilitation/Review of Risk Assessment required by DFA (Biennially)
- 44 Gaming System SSAE 16 SOC1 Review (Annually)
- 45 Financial Statements & CAFR Review (Annually)
- 46 Instant Ticket Vendor Security Review (Biennially)

** These items are excluded from the risk assessment process due to their consultative nature; no official report will be issued for these projects, but the Audit & Legal Committee and the Arkansas Lottery Commission will be updated on project progress and completion.*